A Study of the Indian Retail Market and the Supply Channels

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Abstract

Indian industries due to globalization facing lot of competition, in order to protect the business interest, every industry is trying to improve their process it could make the cheaper product with better quality. For that purpose industries are trying to redefine, reorganize and reengineering their traditional processes. More emphasis is given on the effectiveness of the whole supply chain rather than single function of the supply chain. Supply chain management is complex process of different function; involves so many issues at different levels. And many organized retail stores adopted six sigma concepts to reduce the cost, defect, cycle time reduction and to increase the customer relationship management, market growth, share, productivity and product and service management. The objective of present work is to find out the importance supply chain management in organized retail markets and impact of supply chain management on organized retail markets. And to find out the problems areas in supply chain management on organized retail store (Critical to customer, critical quality and voice of the customer and even in terms of mediators). In the organized retail market in India the role of supply chain is very important for the Indian customer demands at affordable prices a verity of product mix and it is ensure to the customers in all the various offering that company decides for its customer, be it cost, service, or the quickness in responding to ever changing taste of the customer. Presently, we are seeing that customers have a good knowledge and awareness about merchandise, they also know who the manufacturer of these particulars is and what the basic objective of manufacturer towards customers is. Today’s customers are very intelligent, smart, talented and busy and they want all the things in their hands with comfort and with convenience. Retail sector always indicate that all merchandise will be available under one roof and in a hand of customers by providing time, place and possession utility to customers. So in this regard there is total responsibility of supply chain management to make it success. In the absence of it, none can assume the success and even growth of retail sector.

Key Words: Supply chain management, organized retail store, customer, quality, Challenges, growth rate.
1. Introduction

The retail industry in India has emerged as one of the most dynamic and fast-paced industries, driven by robust economic growth, rapid urbanization and changing lifestyles, increasing incomes, and aspirations of the Indian retail consumer. Supply chain plays an important role in retail growth which involves management of man, material, mechanism, markets and money. Supply chain management involves the integration of activities that flow from internally within companies and reach to external market suppliers. The goal of retail supply chain management system is to reduce inventory cost, proper delivery of goods, resource management and customer satisfaction. Hence, an effective retail supply chain management generates efficiency, effectiveness, high productivity and maintains flow of information between intermediaries. The success in this competitive and dynamic sector depends on achieving an efficient logistics and supply chain, which can be provided by professionals, as they combined the best systems and expertise to manage a ready flow of goods and services. The retail boom promises to give an impetus to host of allied sectors and the logistics industry, as the back bone of the retail sector, stands to gain the maximum. In India the logistics market is mainly thought to mean transportation. But the major elements of logistics cost for industries include transportation, warehousing etc., and other value added services such as packaging. The Logistics cost accounts of 13 percentage of GDP (Gross domestic product). The industry is currently on an upswing and is poised for a growth of 20 percentages in the coming years. With extension of retail supply chain will take on an increasingly important role. With the end consumer becoming more demanding and time conscious, the need for just in time services is increasing. In retail where competition is intense and stakes are high, customer satisfaction is paramount. India is witnessing changing life styles, increased incomes, the demographic variability's and vibrant democracy. Indian retailing is expanding and is expected to reach at US $637 billion by 2015. Modern retail is soon capturing 22% share in total retail by 2011 with the expansion of 12 million outlets and provision of creating 1.5 million jobs in 2 to 3 years. The industry is playing vital role in the economic growth of the country. The concept of shopping is moving in and around hypermarkets, supermarkets, and specialty stores and in other formats.

2. Organized Retail Sector in India

Indian market is divided into two major sectors,
1) Organized retail and
2) Unorganized retail sector.

The major portion of Indian market is covered by unorganized retail which is run by, mom and pop stores, traditional stores and family owned business. They are facing problem due to lack of fund, modern infrastructure, warehouse facility, assortments, and improper
transportation of goods delivery. In today scenario a very competitive market is prevailing, and the expectation of the customer is also increased, regarding variety of assortments, services, merchandising facilities, keeping warehouse facilities providing product at any time at anywhere. Which shows huge scope of organized retail in India? The IBEF (Indian Brand Equity Foundation) study report has indicated about huge scope of organized retail in future. The organized retail, which was comprised of 7% of the whole organized retail market in 2011-12, is estimated would grow at a CAGR of 24% and will attain 10.2% of the total organized retail sector by 2016-17. Manufacturer and whole seller are informed by their retailer with regard to sales forecast, delivery delay, customer complaint, defective items, and inventory turnover. From this information the manufacture modifies the product. The growth of organized retail market depends upon the following factors.

- Increase the value addition of product and service
- Holding inventory
- Warehouse facility
- Providing variety of assortment
- Proper infrastructure
- Maintain the demand and supply chain of products.

Indian retailers deal with fresh fruit and vegetables. This show the supply chain process is fragmented in different group and every group perform different role of supply chain management, it is diversified for big retailers and small grocery stores. For effective supply chain management the manufacturer should more focus on logistic management, should be more concern about operation system and technology, so that delivery of goods should at right time, right place and to right persons.

3. Role of Retail Supply Chain Management

Supply chain management is the key driver which runs the retail business successfully; it supports to supplying goods from manufacturers, to whole sellers, through retailers and then reaches to ultimate consumers. Earlier, India was facing tough situation for supply of goods from manufacturer to retailers largely due to poor transport facilities, poor roads and lack of warehouses. Therefore, it was very difficult to sending products from supplier to small retailers, shopkeepers and vendors. The poor supply chain is having direct impacts on manufacturers, retailers and even customers. Which ultimately create market and economic problems like unavailability of goods, increased market prices, higher inflation rates, and black marketing? Thus, the effective supply chain management can play effective role in fulfilling the following objectives:

- Ensure proper delivery of goods like reaching products at right time, at right place and to the right customer
Proper information flow among retail supply chain stakeholders including customer feedback will ensure uninterrupted supply of quality products.

Effective procurement, warehouse storage, inventory management to avoid shortage at any stage of supply chain.

Effective retail supply chain system ensures for fast and prompt of delivery of goods, in right condition, at right place, and at right time. This enable the retailer to service the customers and increase their customer base as well as retaining old and existing customers. Thus, the retail supply chain management plays a significant role in organized retailing and become back bone of the entire functioning of the retail shop. Therefore, for the expansion and exploration of organized retails markets in India, it is very important that retailer should come with innovative strategies and re-evaluate their supply chain system to maintain the pace of retail growth. The detailed supply chain process circle has been summarized in figure 1.

**Figure 1: Retail Supply Chain Process Circle**

Each stage consist of a complete process from product manufacturing and it is important for supply chain management process, every firm following the stages of supply chain management process after this product will reach retailers and then to ultimate consumers. Organized retailer follow the supply chain cycle and full fill the expectation of desired product. The problem comes on unorganized traditional retailers and small shopkeeper, due to lack of information and awareness, they do not know how to maintain the demand and supply of product by effectively follow supply chain process. this is one of the reason, still the organized retail strategy is not reach to rural India, for this it require the support of Indian government to take necessary steps for expansion of organized retail in India as well as the proper information related supply chain process should be provide the small retailers, warehouse facilities as well as a better transport system is required so the product reach to different parts of the country, without any hindrance.
4. Steps in the Retail Merchandising Process

1. Develop the merchandise mix and establish the merchandise budget.
2. Build the logistic system for procuring the merchandise mix.
3. Price the merchandise offering.
4. Organize the customer support service and manage the personal selling effort.
5. Create the retailers advertising, sales incentive and publicity programs.

5. Challenges Faced by Retailers

- For keeping and maintain inventories is another major challenges faced by small retailers. Providing goods at any time to customers they required good won and warehouse facilities which are not possible, due to shortage of funds.
- Poor road, network facilities and unavailability of transport medium, becomes a major challenge for manufacturers to reach remote areas. In India 75% people living in villages and depends upon the small general retailers for buying goods, these retailer facing problem because of unavailability of transport medium.
- Lack of information, awareness and improper supply chain, the small rural retailer does not replace the product from their stores time to time which causes expiry and spoiling of products, and keeping this products in store cause a unhygienic and health affected issues for villager.
- The industries and manufacturers facing challenges because of improper planning of logistics and operation managements that lead to ineffective distribution system of supplying goods.
- The major challenges faced by small retailers, manufacturers whole sellers is to make proper infrastructure with pleasant ambience for attracting more and more customers because shortage of resources, which is not possible.

6. Factors Which Can Strengthen the Retail Supply Chain

- Top management commitment: it is very important the top management should be committed towards their goals. The goal should company’s objective as well as welfare of society.
- Development of effective SCM strategy. Which leads proper supply chain process planning of goods after manufacturing the firm should know there responsibility?
- Devoted resources for supply chain the company should maintain the resources like information, manpower, material, capital and establish proper communication.
- Use of modern technologies, now every firm is update, and uses new technologies for updating their resources and improving the work culture.
- Information sharing with supply chain member, proper communication should establish among the channel member so that the product react the destination place on time.
- Forecasting of demand on sale, by maintain a proper supply chain process the demand and supply should be maintained as well as the retailer also give the information about how product is required, (forecasting the demand of sale) and
  - Trust development with supply chain partner is to make a brand image between supply chain and small retailers.
  - Supply chain management has to improve so it develop it's just in time capabilities in system
  - Manufacturing firm should develop a better relationship with their reliable supplier.
  - Firm manufacturing process should be flexible in nature; it gives more benefits in terms of cost as well as renews their resources.
  - The firm should focus on the core strength, rather diversified they should focus on core manufacturing process; it creates optimum utilization of resources of core area, more specification as well as qualitative products.
  - Every firm have a long term mission, vision, for achieve these goal they should have strong strategic policy, plan. These are the factor for strengthens the supply chain management in India

7. Limitations
The following limitations may arise during the study:
1. Time constraint
2. Money constraint

8. Research Methodology
For this paper one has to know each and every aspect of the concept thoroughly. And then for merchandise assortment planning one has to get updated with the latest trends and all factors which are continuously affecting these decisions. So acquiring the data regarding this I have gone through several sources like Books, Magazines, Journals and Web site.

8.1 Research Design
The research design will be Descriptive studies. Descriptive studies are well structured, they tend to be rigid and its approach cannot be changed every now and then. I will be taking descriptive because my research includes understanding Merchandising Strategies adopted by various Retail Stores. I will be working on to know how Manager of Various Retail Stores develops a merchandise plan, what things do they consider while developing it and how do they modify the same as per customer’s preferences.
8.2 Research Method

After developing an appropriate research plan, it is important for the researcher to select a proper research method. For this research, the research methods chosen by the researcher are secondary data methods.

9. Conclusion

The role of supply chain in Indian organized retail has expanded over the years with the boom in this industry. The growth of the Indian retail industry to a large extent depends on supply chain, so efforts must be made by the Indian retailers to maintain it properly. Therefore, with the generous use of Global and Local Experiences, Indian retailers are going to improve their bottom lines with efficient, management of Supply Chain and Logistics. At the same time, Indian Retailers like future Group with retail stores like Big Bazaar, Pantaloons and Reliance retail are also going to show the world as to how it can be managed in a more innovative and efficient manner. Earlier the scope of organized retail in India is very limited. Due to globalization, and entering of foreign player (MNC) in India there is huge prospect of organized retail in India, it will be possible, by strengthen the supply chain system, for this the government, should take necessary initiative by providing the better transport facility, infrastructure, warehouse facilities, giving funds for new retailers, provide information and creating awareness how to establish an organized retail which help to create a strong economy. The problem of unemployment can be removes by increasing the expansion of organized retail sector in India. It is an integrated process where every activity of supply chain should inter linked with logistic management can be operated with the help of information technology, throughout the cycle time of each step of the process so that timely action can be taken. And form effective Supply chain process which helps manufacturers, for cost benefits, time saving, effective logistic management, increases profit margin and customer satisfaction.

References


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